

P R O C E E D I N G S

THE COURT: Please be seated.

Mr. Sayles, were y'all here earlier this morning?

MR. SAYLES: Yes, sir.

MR. BECK: We were, Your Honor.

THE COURT: I just wanted you to know that we've got a place for y'all.

(Laughter.)

THE COURT: Since I heard both of you were going to be here, I told them to make sure to move people around.

All right. The pretrial in Centocor Vs. Abbott, Cause 2:07-CV-139.

What says the Plaintiff?

MR. SAYLES: May it please the Court, I'm Dick Sayles with Sayles-Werbner. The Plaintiff Centocor and New York University are ready. Seated with me at the counsel table is Diane Elderkin, who will be doing some of the presenting depending on what Your Honor wishes to discuss. Steve Maslowski, Barbara Mullin and, of course, Mark Strachan from the Sayles-Werbner firm.

THE COURT: Okay. Defendants?

MR. BECK: Your Honor, David Beck for the Defendants in this case, and an additional speaking part

1 this morning will be Mr. Bill Lee.

2 MR. LEE: Good morning, Your Honor.

3 THE COURT: All right. The Court's
4 schedule -- what I have got is we're going to pick a
5 jury this Friday, the 29th at 9:00 o'clock, and then
6 we're going to bring the jury back and start the trial
7 on June the 22nd. And, you know, we work from 8:30
8 until not later than 5:30. And the Court would plan on
9 getting all of the evidence in then by the close of
10 business, I guess, on Thursday of that week, and
11 hopefully conduct the preliminary Court's charge.

12 The Court has a commitment to be in
13 Dallas, along with Mr. Beck, on the -- for presentation
14 of the remembrance about Franklin Jones, Jr. at the
15 American College of Trial Lawyers luncheon. So, the
16 Court is going to keep that commitment and allow Mr.
17 Beck to keep that commitment also.

18 Then we would come back and argue the
19 case on Monday, June the 29th at 8:30.

20 Now, I know we had some -- I was going to
21 propose to you -- I haven't got all of these dates, but
22 I know we had some graduations and things that we wanted
23 to go to, but I have a date with Judge Everingham that
24 he could see y'all on June the 12th at 9:30 and he can
25 finalized any objections to any deposition cuts and get

1 your exhibits finalized, so that we would be able to
2 preadmit nearly all of the exhibits except those that we
3 might have to have some foundation testimony or
4 something.

5 Does that take care of everybody's
6 schedule though as far as attending all of the
7 graduations and things everybody wanted to attend?

8 MR. BECK: It is certainly fine from our
9 end, Your Honor.

10 MR. SAYLES: Judge, what day of the week
11 is that if you're looking at a calendar, the 12th?

12 THE COURT: I'm not looking at a
13 calendar, but it better be Friday.

14 MR. SAYLES: Okay.

15 MS. ELDERKIN: That's fine for us, Your
16 Honor.

17 THE COURT: Okay. I know what the Monday
18 is, it is the 15th, so the 12th better be Friday or, Mr.
19 Sayles, I am really in trouble.

20 Does that schedule take care of
21 everybody?

22 With respect to getting a jury list, you
23 can get a jury list this afternoon with Ms. -- Ms.
24 Anderson has it or I assume that she does. Does she,
25 Ms. Dupree?

1 COURTROOM DEPUTY: I will send her an
2 e-mail.

3 THE COURT: Okay. After lunch today.

4 Let's see, the number of trees that I've
5 killed just trying to stay up with all of y'all's
6 filings. I know that electronic filing is great, you
7 just punch a button and you get to file it, but the
8 Court has to try to get through it.

9 Before we go any further, I would like to
10 inquire where we are in the -- in this last arbitration
11 award, I understand that Abbott filed to have that award
12 confirmed, is that correct?

13 MR. LEE: That is correct, Your Honor, it
14 has been confirmed.

15 THE COURT: It has now?

16 MR. LEE: It's been confirmed.

17 THE COURT: Okay. Well, that is what I
18 didn't know, the second one has been confirmed.

19 MR. LEE: Yes, Your Honor.

20 THE COURT: All right.

21 Well, that having been confirmed, then
22 that takes care of the Motion for Summary Judgement No.
23 4, does it not?

24 MR. ELDERKIN: Your Honor, Dianne
25 Elderkin. We would argue that it does not. That there

1 is still the issue about whether that order should have
2 collateral estoppel in this Court in this case, and our
3 issues that we raised in our opposition to Abbott's
4 motion about whether the issues were fully and fairly
5 litigated and actually litigated that we think raises a
6 serious issue about whether there should be collateral
7 estoppel effect.

8 THE COURT: Well, I understand your
9 argument about that, but this Court does not believe
10 that it is the right place to collaterally attack that
11 award. That is the other court, and the Second Court of
12 Appeals, I guess, is your next stop, not this Court for
13 a collateral attack on that award.

14 MS. ELDERKIN: May I address that point
15 for a minute, Your Honor?

16 THE COURT: I have pretty well made up my
17 mind on that, okay?

18 MS. ELDERKIN: Okay.

19 THE COURT: I think you have preserved
20 that point -- it is now preserved for the Federal
21 Circuit.

22 MS. ELDERKIN: Thank you.

23 THE COURT: Yes, ma'am.

24 I am denying the Defendants' Motion for
25 Summary Judgment No. 5 with respect to willful

1 infringement.

2 Now it appears to me that this motion of
3 the Defendants to exclude expert testimony and for
4 summary judgment on lost profits and Plaintiffs' Motion
5 in Limine No. 6 and Defendants' Motion in Limine No. 2
6 are all interrelated, and that as I understand it, the
7 Humira coadministered with methotrexate is a licensed
8 product or licensed combination. That is licensed.

9 Now then, having said that, at the same
10 time Remicade -- I am saying factually what I -- if you
11 need to correct me, I will give you a chance to correct
12 me. Remicade is not approved by the FDA by itself. In
13 other words, any administration by Remicade solely is
14 what you have referred to as off-label use by a
15 physician or off-label prescription.

16 And so the argument that is being
17 presented to the Court in these various motions is that
18 the Plaintiff is seeking lost profits, and an element of
19 their lost profits is that they are saying --
20 Plaintiffs' position is that Remicade has a significant
21 amount of off-label use, and it is seeking lost profits
22 for the infringing loss of those sales by Humira, the
23 alleged infringing product being used.

24 I am not inclined to agree with the
25 Defendant that -- I don't know what -- y'all are going

1 to have to talk to me about expert reports and what you
2 have actually got in there, but off-label use of
3 prescription drugs is, I think, well established. Now
4 whether or not they can quantify it or whether that --
5 that is probably addressed in the expert report is --
6 that is one of the things that we're going to have to
7 talk about.

8 But the Defendant -- you're taking the
9 position that there shouldn't be any lost profits
10 because -- Number 1, your position is there shouldn't be
11 lost profits for off-label use, correct? Is that what I
12 understand, Mr. Lee?

13 MR. LEE: That is correct.

14 Your Honor, the -- to be precise the
15 position is that Remicade's not approved as a
16 monotherapy, so to the extent that Humira was sold as a
17 monotherapy, they haven't lost profits. So, that is the
18 argument.

19 THE COURT: Well, I am not sure if I --
20 what does the Plaintiff say to that specific argument?

21 MR. MASLOWSKI: Your Honor, Steven
22 Maslowski for Centocor.

23 In doing the lost profits analysis the
24 experts are tasked with reconstructing the but/for
25 market with the infringing products out of it. So the

1 economic experts go back and look at the market, removed
2 the Humira monotherapy use from the market altogether.
3 It is not a choice at all. They are then tasked with
4 figuring out what the doctors or patients would have
5 used. They could have used Remicade with methotrexate,
6 that's an available choice in the but/for world. The
7 analysis requires going back and removing the infringing
8 product out of the market and figuring out what patients
9 and doctors would have used.

10 So, it is not that we are saying that
11 Remicade would get lost profits for RA, again, we're
12 only talking about rheumatoid arthritis. We are not
13 saying for Remicade you get lost profits for RA because
14 then all of the infringing sales would have had to use
15 Remicade off-label, and that is not what we're saying at
16 all. But instead, proper lost profits analysis requires
17 taking the infringing product out and viewing the market
18 and what are the available choices. And our expert said
19 in some circumstances or for a certain percentage of
20 those infringement sales, doctors and patients would
21 have, in fact, used Remicade.

22 So the off-label issue is somewhat of a
23 red herring in the sense that you take the monotherapy
24 uses out of the market and figure out what would
25 patients and doctors use.

1 THE COURT: Mr. Lee, he just said you are
2 throwing me a red herring, are you?

3 MR. LEE: I don't think so, Your Honor.
4 The argument is pretty simple, it is focused on
5 rheumatoid arthritis, he is correct. Humira is
6 prescribed as a monotherapy. There are other
7 alternatives out there in addition to Humira. They
8 concede that and we concede that. If Humira is not
9 available as a monotherapy, Remicade could not be used
10 to compete and capture that portion of Humira as a
11 monotherapy, that is all we're saying.

12 And their expert has pulled some numbers
13 out of the air, there is no basis for his quantification
14 of what would be prescribed off-label. And I don't
15 quite understand how he can say that we're throwing Your
16 Honor a red herring because they talk about the fact
17 that Remicade is prescribed off-label. But that -- it
18 is something of some controversy whether we should be
19 encouraging people to prescribe off-label, whether they
20 are. But with all that set of circumstances floating
21 around, the idea that they can take the Humira in
22 monotherapy sales for rheumatoid arthritis and on any
23 disciplined analytically-sound basis say here is what
24 Remicade would have sold into this monotherapy market is
25 what we're claiming we're entitled to summary judgment

1 on.

2 THE COURT: Well, I'm not going to grant
3 your summary judgment. I am not going to grant that, I
4 am more interested now in what I'm going to do
5 evidence-wise. I am going to deny you Motion for
6 Summary Judgment on that issue.

7 Well, let's talk about evidentiary-wise.
8 What is Centocor's position that -- are you -- for the
9 lost profits analysis are you saying that Remicade as a
10 monotherapy and the coadministered Remicade are
11 available for the lost profits analysis?

12 MR. MASLOWSKI: Yes, Your Honor, we are.
13 If I could give you a simple example, I think will
14 explain the issue.

15 Both parties agree that there are three
16 major products that run in the RA market, Enbrel,
17 Remicade and Humira. So, there were certain instances
18 in the but/for world where a patient failed Enbrel.
19 That is, the patient tried to use Enbrel and it didn't
20 work. So, in the real world the patient used Humira
21 monotherapy. So, if Humira monotherapy is an infringing
22 sale, that is no longer available, the choice then
23 becomes Remicade or if you believe the Defendants'
24 argument, Humira plus methotrexate. So there is in fact
25 not even a realistic monotherapy choice available, and

1 that's what the economic -- our economic expert did. He
2 went back and broke each of the indications down into
3 different categories. Those being Enbrel failures,
4 patients that are bio-naive, for example, meaning they
5 have never taken a biologic product before or Remicade
6 failures. And our expert says, for example, that with
7 respect to Remicade failures, we don't get any lost
8 profits, the patients went to Humira after our product
9 didn't work. So the answer, yes, we are seeking lost
10 profits where the patients would, in fact, use Remicade
11 with methotrexate or without, it doesn't matter.

12 THE COURT: What do you say to that, Mr.
13 Lee?

14 MR. LEE: Well, Your Honor, I would say
15 two things. One is, if you listen to the set of steps
16 they went through, their expert never considered as a
17 other alternative Humira with methotrexate, which is a
18 licensed product as Your Honor has just held. So how
19 can you do this analysis of what would happen to
20 Remicade if Humira as a monotherapy is not on the
21 market, if there is another non-infringing alternative,
22 Humira plus methotrexate. And I think the one thing we
23 can agree upon is their expert didn't consider that at
24 all, made no allowance for it.

25 And then I guess, not to revisit Your

1 Honor's ruling on the summary judgment, but I think as
2 we get to the evidence on this off-label use of Remicade
3 as a monotherapy occupying some portion, their expert
4 made no effort to quantify that at all. So, he would be
5 giving -- I think this goes to the evidentiary point
6 Your Honor has raised, he would be giving an opinion,
7 and if there is a number, it would be the first time we
8 have heard of a number from him.

9 THE COURT: Well, I am still not inclined
10 to grant the summary judgment. I do know I have got
11 myself in a -- we have got a tough evidentiary, how we
12 are going to propose this evidentiary-wise, that is what
13 I'm trying to -- because I have got your -- what
14 testimony -- I mean, other than just saying Humira plus
15 methotrexate is a non-infringing -- I know it is a
16 non-infringing alternative under the arbitration. What
17 evidence do you have that it is actually used in that
18 fashion?

19 MR. LEE: Some portion, Your Honor, of
20 Humira that's sold is administered with methotrexate,
21 that is the portion that came out as a result of the
22 arbitrations. It's, you know, in the neighborhood --
23 there was a dispute as to whether it was 30 percent, 40
24 percent, but somewhere in the neighborhood of 30 percent
25 is a co-administrative product, so that actually not

1 only is in the record, but also confirmed by the
2 arbitration, the second arbitration where it was
3 confirmed.

4 THE COURT: So then your Motion -- then
5 we get down to your Motion in Limine No. 2 is that since
6 they don't -- if I have got it right in my head, which I
7 may not have, but your Motion in Limine is that it is a
8 non-infringing alternative, it just was not considered.

9 MR. LEE: That is exactly right, Your
10 Honor.

11 THE COURT: And so now you are trying
12 to -- you are back to trying to seek to exclude all of
13 the lost profits analysis?

14 MR. LEE: That is correct, Your Honor.

15 Now, at -- Your Honor's question about
16 what to do with it, perhaps rather than our taking
17 positions on what Dr. Gering may or may not have said in
18 his report, maybe if Your Honor would be willing, the
19 right thing to do is to voir dire him before he goes on
20 before the jury and we can address those.

21 THE COURT: I don't know about that.

22 Oh, are you going to jump in this, Mr.
23 Sayles?

24 MR. SAYLES: Yes, sir, if you would hear
25 from me, I do want to jump into it.

1 I want to point out that the combination
2 use of Humira and methotrexate into the future, assuming
3 no infringement, may not be available because
4 methotrexate is a separate drug made by a separate
5 manufacturer that is given on a separate dosing
6 schedule. It is not -- the two drugs are not combined
7 together and they are not given together, and so the --
8 Abbott would be offering for sale and manufacturing
9 Humira. And if there is infringement I would submit
10 that they -- you have to remove Humira from the market.
11 It is only the use after the fact by the patient that
12 gives them the implied license that they seek.

13 It is not -- that is not the manner in
14 which it is manufactured, and it is sold as a single
15 drug. So I think you can -- that there is a very
16 substantial --

17 THE COURT: Yeah, but the arbitration
18 award said that that combination is licensed.

19 MR. SAYLES: That's right, but that
20 combination is only determined by the usage of the
21 patient after the fact. That usage is not determined at
22 the time of the manufacture and the sale of Humira. And
23 I would submit that that would be prohibitive if there
24 is a finding of infringement.

25 MR. LEE: Your Honor, may I add two

1 thoughts in response.

2 THE COURT: Go ahead.

3 MR. LEE: There is no request for an
4 injunction in this case. So the only question is
5 damages for the past and damages going forward. In that
6 circumstance, any sales that we made that are
7 co-administration projects as determined by the
8 arbitrator are not going to be the subject of the past
9 damage, nor would we have to pay royalties on it going
10 forward because we're paying royalties on those sales to
11 the Kennedys which is as a result of the arbitration.

12 So I think with respect to Mr. Sayles
13 argument is a collateral attack on what happened in the
14 arbitration where we have already been determined both
15 going back in time and going forward to have the right
16 to sell.

17 THE COURT: I will let you know before
18 the 22nd what we're going to do on those two motions, I
19 will carry those.

20 MR. MASLOWSKI: Your Honor, can I make
21 just one final note before we close on that.

22 THE COURT: Yes.

23 MR. MASLOWSKI: Just to point out for the
24 record, Dr. Gering did, in fact, consider the license
25 and did exclude the licensing of Humira plus

1 methotrexate -- methotrexate sales from his analysis,
2 and I just wanted to clarify to Mr. Lee's earlier
3 comments.

4 THE COURT: Well, are you saying that his
5 expert report doesn't include that?

6 MR. MASLOWSKI: It does not include
7 damages that -- where Humira was used in combination
8 with methotrexate, he excluded them from the analysis
9 and they are not in the lost profits, past sales where
10 Humira was used in combination methotrexate.

11 MR. LEE: That wasn't the point I was
12 trying to make. I apologize if that is what -- I said
13 that he did not -- there are two parts. One is should
14 he exclude that which the arbitration award has already
15 had excluded because it was a co-administered product,
16 and he has made an effort to do that in the event that
17 Your Honor denied their motion.

18 The second though is a different
19 question, which is for the lost profit analysis should
20 he have considered a non-infringing --

21 THE COURT: A non-infringing alternative.

22 MR. LEE: -- a non-infringing
23 alternative, that's the second point.

24 THE COURT: Okay. I will give you a
25 ruling. I will just -- okay.

1 Why is it, Mr. Lee, that -- I am talking
2 about now the Plaintiffs' Motion in Limine, why is it,
3 Mr. Lee, that you really believe that the fact that
4 Humira is a patented product by itself is actually
5 relevant in this case? I mean, usually it is just not.

6 MR. LEE: Your Honor, it is relevant for
7 three reasons in this case, which is a little different
8 than others.

9 THE COURT: Well, now you and I are going
10 to agree on that.

11 MR. LEE: The application date for the
12 patents-in-suit is 2002. So until there is an earlier
13 priority proving our patent in 1996 is prior art, which
14 would invalidate the patent. So as a starting point, it
15 is relevant for that reason.

16 The second, Your Honor, since the Motion
17 for Summary Judgment has been denied as to willfulness,
18 the fact that we were, in our view, first to invent and
19 first to patent and had a patent well before their's
20 issued on human antibody is relevant to willfulness.

21 And then the last thing, Your Honor, both
22 of us agree that the fact that we have a patent that
23 they have taken a license under our patent is relevant
24 to the issue of damages.

25 | So there are three different reasons why

1 in this case it would be relevant. And the first really
2 goes to the validity issue of you start with 2002, we
3 have to demonstrate that that is the priority date, the
4 patent would be invalid. This patent does it in 1996.
5 It then requires Centocor to assume the burden of
6 proving an earlier priority date, which is the subject
7 that Your Honor --

8 THE COURT: Well, let me hear from --

9 MS. ELDERKIN: Your Honor, we don't
10 dispute that the patent, the Salfeld patent can come in,
11 the patent itself. We don't dispute that the fact that
12 it discloses the antibody that is in Humira can come in
13 because that goes to their validity defense if we can't
14 get an earlier priority date. But that is different
15 from arguing to the jury that Humira is patented because
16 that is just likely to confuse the jury about -- you
17 know, juries have a hard enough time understanding the
18 issues in these cases as it is, but the concept of
19 dominant patents such as ours and improvement patents
20 such as theirs is very confusing. It does no good to
21 argue to the jury that Humira is patented.

22 And I would submit that Mr. Lee's comment
23 about his -- his second point about why it is relevant
24 for willfulness is right on point because I don't see
25 how the fact that Humira is patented is at all relevant

1 to their willfulness defense.

2 The patent can come in, they can argue
3 that it discloses D2E7 which is the antibody in Humira,
4 but they should not be able to argue to the jury that
5 Humira is patented and confuse the jury about whether
6 there is an infringement issue or try to make it sound
7 that they are escaping from willful infringement because
8 they got their own patent.

9 THE COURT: Well, I -- go ahead, Mr. Lee,
10 and then I am going to move on.

11 MR. LEE: Your Honor, just one quick
12 point. On this willfulness issue, the premise of Ms.
13 Elderkin's argument is that they had the pioneering
14 patent and we're an improvement. Well, that is actually
15 the issue that we're going to try in the case, the
16 priority date that they have now identified, because if
17 they are not, then the fact that they had a patent that
18 covered something different, we got a patent that
19 covered D2E7 is relevant to willfulness.

20 And under Seagate --

21 THE COURT: Do you think it could be a
22 relevant question as to whether or not your client was
23 objectively unreasonable?

24 MR. LEE: That's exactly right, Your
25 Honor.

1 THE COURT: Well, I do too. I'm going to
2 deny the Motion in Limine. I just -- you are asking me
3 to cut it too close. It's denied.

4 MS. ELDERKIN: Your Honor, may we request
5 an instruction to the jury then that they should not
6 take into consideration the fact that Humira is patented
7 in considering infringement.

8 THE COURT: I think that is a proper
9 instruction on the question of infringement alone.

10 MS. ELDERKIN: Thank you.

11 THE COURT: We will have the jury
12 thoroughly as confused as you will have me, I am sure,
13 before it's over with.

14 What do you say, Mr. Lee, to No. 2 about
15 inherency, unknown --

16 MR. LEE: Your Honor, I think we state In
17 re: Kubin which say that it doesn't need to be
18 recognized or acknowledged for it to be inherent, both
19 for anticipation and obviousness purposes. It's -- we
20 would suggest that the law is, in our view, pretty clear
21 that whether it was recognized or appreciated is not
22 required for inherency purposes.

23 In Kubin, Your Honor, the inventor may
24 have recognized it, but there is no proof that one of
25 ordinary skill in the art would have recognized it. And

1 I think the legal issue, Your Honor, is whether one of
2 ordinary skill in the art would have had to have
3 recognized the inherent property in order for it to
4 render something obvious. And neither at the
5 anticipation level nor at the obviousness level is that
6 where the Federal Circuit is.

7 THE COURT: Yes.

8 MS. ELDERKIN: Well, Your Honor, the
9 Kubin case does not overturn 20 years of Hornbook patent
10 law, that obviousness must be predicated on what is
11 known. And that inherent features of prior art
12 products, if they are unknown, cannot be relied upon in
13 considering obviousness.

14 The cases that we cite in our brief, the
15 Spormann case from the -- the predecessor court to the
16 Federal Circuit in 1966. The Newell case from the
17 Federal Circuit, the Kloster Speedsteele case from the
18 Federal Circuit, they all specifically hold that. Those
19 cases are no where even mentioned in the Kubin case. If
20 Kubin were going to overturn 20 or 30 years of case law,
21 you'd think that they would mention it.

22 THE COURT: Well, that is not unusual for
23 the Federal Circuit to decide to do that has been my
24 experience.

25 MS. ELDERKIN: I will reserve comment on

1 that, Your Honor.

2 THE COURT: Well, I'm just saying it
3 happens. And he is citing the more recent -- well, what
4 do you believe the Kubin case says?

5 MS. ELDERKIN: It is a different set of
6 facts. There is also a long body of case law from the
7 Federal Circuit that -- and this is what Kubin goes to,
8 that it is not invention to perceive the product which
9 others have discovered have qualities they failed to
10 detect. So if the antibody in our -- of our claims were
11 known, if it were precisely disclosed in the prior art
12 and our invention came along and discovered, oh, it has
13 this property, it turns green when you put something on
14 it, that discovery would not make it patentable, but
15 that's not the case here. Our antibody is not known.
16 The specific feature that they are relying upon testing
17 to show inherent qualities, the fact that claimed
18 antibodies compete with A2 combined with the TNF is
19 simply not done in the prior art, and that is what's
20 different in Kubin. In Kubin it was known -- the court
21 said that the polynucleotide sequence that was being
22 plagued was known and the fact that the claim
23 additionally said, and by the way, when you express this
24 protein according to this, it happens to bind to the
25 receptor P38, they said, well, your just taking an old

1 polynucleotide sequence expressing and getting a protein
2 and saying, it looks -- as far as the P38, it's a
3 different set of facts than we have here.

4 THE COURT: I am going to carry it. I
5 will give you a ruling before you pick the jury on
6 Friday.

7 No. 3 is agreed upon, so it is granted.

8 Now, No. 4, why, Mr. Lee, was it that
9 Baker Botts wasn't identified with the people with
10 knowledge? Didn't they have the documents in question
11 ultimately? Or who is going to address that?

12 MR. BECK: David Beck for the Defendants,
13 Your Honor.

14 Your Honor, the answer is yes, but the
15 documents were produced before the deposition of the
16 witness whose deposition they took. They had a full
17 deposition as I understand it, and had the opportunity
18 to use those documents during the deposition. That
19 deposition was taken by agreement after the close of
20 discovery. The point is that they got the information,
21 they got the discovery and if there is anything else
22 they need, we're willing to respond accordingly.

23 THE COURT: How have y'all been
24 prejudiced?

25 MS. MULLIN: The issue here, Your Honor,

1 is not just that the documents were produced after the
2 close of discovery, but also that this is an entirely
3 new theory that the Defendants are advancing about
4 whether or not they were able to do testing to determine
5 whether or not there was infringement. And it's not
6 just the documents weren't disclosed, but this theory
7 and the idea that somebody from Baker Botts might have
8 relevant information was never disclosed during
9 discovery. It didn't show up on any initial
10 disclosures. Even the initial disclosure that we got on
11 the very last day of discovery didn't suggest that there
12 was anybody at Baker Botts who might have this
13 information.

14 So what we have is an incomplete string
15 of e-mails that were apparently generated at Baker Botts
16 about a single attempt to get a sample of A2 that
17 Abbott's going to argue was unsuccessful, that they
18 weren't able to get it, and we have had no ability to
19 probe with Baker Botts or even with anybody else at
20 Abbott as to whether they were later successful.

21 We would have -- we certainly would have
22 deposed earlier witnesses about this theory had we known
23 about it.

24 THE COURT: Well -- yes, sir. Go ahead.

25 MR. BECK: It is not a theory, it's a

1 fact.

2 THE COURT: Well, the problem is that you
3 know Mr. Beck we're talking about this case has been
4 pending, and somebody knew about these documents a long
5 time ago, and too much -- I'm not suggesting this is
6 trial counsel, but somebody is playing a game.

7 MR. BECK: Well, as I understand the
8 facts, Your Honor, in preparing this witness for
9 deposition, they find out that these documents existed
10 and then they went ahead and made available the
11 documents for counsel.

12 THE COURT: I am excluding the
13 documents.

14 Now, No. 5, there is a lot of things
15 about Abbott could consider about validity short of an
16 opinion of counsel. I understand that Abbott is not
17 relying on opinion of counsel, is that correct?

18 MR. LEE: That is correct, Your Honor.

19 THE COURT: Well, outside of opinion of
20 counsel, there could be a lot of other things that they
21 could consider.

22 What are you actually trying to exclude
23 here, Plaintiff? Y'all want to tell me that in your No.
24 5.

25 MS. MULLIN: Centocor Motion in Limine

1 No. 5, Your Honor?

2 THE COURT: Yes.

3 MS. MULLIN: Having failed to produce any
4 opinion of counsel or to waive privilege, Abbott's
5 witnesses should not now be able to come in and say that
6 they considered the validity of the patent, and the
7 reason that they didn't take -- as you know from the
8 various motions, there is a long history of licensing
9 discussions that started even before the patent issued
10 and went all the way up to the time that this suit was
11 filed. And it would be unfair for Abbott to say we're
12 not going to waive our opinions of counsel, we're not
13 going to tell you what our real analysis of the patent
14 was, but then to have a witness come in and say, oh, but
15 by the way, we actually didn't take a license because we
16 thought that the patents were not valid or we thought
17 that we did not infringe them.

18 THE COURT: Well, what evidence do you
19 want to introduce that would violate this Motion in
20 Limine?

21 MR. LEE: Your Honor, I am not quite
22 clear where the disagreement is. I mean, as I
23 understand it Centocor agrees that they are not going to
24 argue any adverse inference under Knorr Bremse because
25 we have failed to produce an opinion. We agree that

1 neither -- we agree that -- we believe that they are not
2 going to offer any evidence that an Abbott lawyer
3 evaluated the validity or the infringement of the
4 Centocor patents at any time after we got notice. And I
5 think we have agreed that Centocor will not offer up the
6 privilege log in an attempt to get at it in a backdoor
7 way. And that, I thought, was something we could agree
8 upon, and I am not quite sure what they are concerned
9 about beyond that. Because that would cover both Your
10 Honor's first point about the opinion in an adverse
11 inference, and would cover either or both of us offering
12 the evidence that we evaluated the validity and would
13 cover the privilege log.

14 THE COURT: Well, what evidence would you
15 be wanting to offer, Mr. Lee, that you did consider on
16 validity? Because the way this is -- this is a little
17 broader than what you have said so far.

18 MR. LEE: Your Honor, we -- during the
19 course of the meeting between Centocor and Abbott, we
20 told Centocor that the patent was in our view not
21 enabled and didn't have the appropriate Section 112
22 written description. So, it is a conversation between
23 the two of us where we gave them our position on the
24 validity of the patent, that would be relevant to the
25 willfulness inquiry. That is not our effort to say --

1 to introduce evidence through the backdoor about some
2 evaluation. It was a communication from us to them, and
3 that is what we're seeking to omit.

4 THE COURT: Well, do you agree with what
5 he said the agreement -- what Mr. Lee said about the
6 understanding of -- between the parties about -- with
7 respect to lawyers, privilege log and all of those
8 things? Do y'all agree with that?

9 MS. MULLIN: Well, actually I think he is
10 combining two motions. I think that what he is talking
11 about there --

12 THE COURT: Well, I understand that he is
13 combining two motions, that's what the Court is sort of
14 trying to do also.

15 MS. MULLIN: Right. So I don't actually
16 agree with that. One of the issues that we have in this
17 case is that -- and Abbott filed a Motion for Summary
18 Judgment of no damages before the case was filed. And
19 they based that in part on the fact that their witnesses
20 have said that they are unable to recall conversations
21 in which the Centocor witnesses say, we told them that
22 they were infringing, we told them that they needed a
23 license under this patent. And so one of the things
24 that we can glean from the privilege log and from
25 actually asking one of the witnesses about it --

1 THE COURT: Well, the privilege log is
2 not coming in, let me tell you that.

3 MS. MULLIN: Okay.

4 THE COURT: I haven't got to that one,
5 but I can tell you that that's this Court's view on
6 privilege logs.

7 MS. MULLIN: Okay. I think that's where
8 Mr. Lee was going. But it's really -- it is not the
9 privilege log itself, but the fact that we can establish
10 that there was a communication, there is no dispute that
11 there was a communication, just what the content of it
12 was. And within three days Abbott goes and seeks advice
13 from outside counsel. And so the fact that they have
14 sought advice is something that we do think is
15 appropriate to admit because it is -- in part it goes to
16 the issue of notice because it goes to how much weight
17 is given to the fact that their witnesses can't recall
18 certain things.

19 THE COURT: Well, you just told me that
20 y'all don't have an agreement then with Mr. Lee.

21 MS. MULLIN: Right.

22 THE COURT: Well, all right. Here's what
23 the Court's ruling is: The Court will allow Mr. Lee to
24 -- this Motion in Limine will not preclude any direct
25 conversations between the parties about enablement that

1 you have brought up. They will be able to ask whether
2 or not you sought advise of counsel, but that's all you
3 can ask. You can't argue any adverse inference from the
4 fact that they have not produced it, and you cannot make
5 any reference to the privilege log or anything that is
6 on that privilege log.

7 So, I don't believe we had quite the
8 agreement that you thought you had, Mr. Lee.

9 Do both sides understand that? I believe
10 I have covered the points that you have made.

11 MR. LEE: We do, Your Honor.

12 THE COURT: All right. Six is what I'm
13 going to -- No. 7, the Court has read that and studied
14 that and it is denied.

15 Okay. We're done with the Plaintiffs.

16 All right. Defendants' No. 1, I have
17 already ruled on it. I am not going to make a change in
18 the claim construction as requested. That is denied as
19 a Motion in Limine.

20 No. 2, all of that is all tied up in the
21 coadministration, I believe, so I will carry that.

22 Now, what is it exactly you are trying to
23 exclude here on No. 3, Mr. Lee?

24 MR. LEE: Your Honor, we tried to narrow
25 the issue. Your Honor had denied a summary judgment

1 motion on notice, and we're just trying to narrow the
2 issue too. Without a doubt, if they prove that we have
3 notice of the patent infringement, they have proven that
4 period of -- we're talking about notice of a patent
5 application for an allowed patent that has not yet
6 become a patent, and just the legal question of whether
7 that notice can kick off a damage period for a patent
8 that has not even been issued yet, and we have tried on
9 the in limine motion to narrow it just to that precise
10 legal issue because if their theory was correct, you
11 could give notice and start the damage period running
12 before the patent issued when damages began to run, and
13 as we have argued to Your Honor, we think that what the
14 case law supports is after the patent issues, you have
15 got to give a specific notice of infringement and that
16 kicks off the damage process.

17 THE COURT: What is it that you want to
18 introduce that would violate this Motion in Limine?

19 MS. MULLIN: I believe what they are
20 trying to keep out, Your Honor, are a series of
21 discussions that took place between the parties starting
22 with the time that Centocor found out that the patent
23 application that ultimately issued if the '775 patent
24 was allowed. Pretty much as soon as Centocor got that
25 notice they told Abbott you need to take a look at this

1 patent because you're going to need a license. And
2 those discussions continued for a period of time up
3 through the time that the patent issued.

4 THE COURT: Well, it sounds like -- she
5 says from the date the patent application or the patent
6 was issued on the '775, isn't that right?

7 MS. MULLIN: Now, Mr. -- I think Mr. Lee
8 is actually confusing -- we have not sought any damages
9 for the time period prior to the time that the '775
10 patent issued. We're not seeking damages prior to that
11 time. Okay. So, that is not an issue. What they want
12 to do though is exclude all of the communications about
13 that patent, the fact that it was coming out, the fact
14 that we told Abbott that they were going to need a
15 license under that patent. It's part of the continuing
16 story that that started before the patent issued and
17 continued through the time that this suit was filed.

18 And on the one hand Abbott is saying, we
19 didn't know that we needed -- you didn't give us any
20 notice about the patent or that we would need a license
21 or that we infringed the patent until the time the suit
22 was filed. And on the other hand they are saying, we
23 didn't have notice because we want you to exclude all
24 the evidence of that notice. And that is essentially
25 what they are trying to do through their Motion in

1 Limine is exclude the evidence that they had notice.

2 And there is an issue of law here, Abbott
3 has suggested that it's not possible to give notice
4 prior to the time that a patent issued, but there is no
5 Federal Circuit case that says that, No. 1. And No. 2,
6 this isn't just an isolated point in time, this is a
7 continuous chain of events that started in December of
8 2005 and went all the way through April of 2007. So it
9 makes no sense unless you have the entire chain of
10 events.

11 THE COURT: Well, the Court is going to
12 deny the Motion in Limine, however if you will get an
13 instruction, Mr. Lee, if you request it, that damages
14 cannot ever begin to accrue until the date the patent
15 issued, then that will take care of it. I think these
16 discussions for willfulness purposes, I think they are
17 admissible, to show what you knew and what your client
18 knew and when they knew it and those sort of things.
19 But just keep in mind that upon request I'll give you an
20 instruction.

21 It looks like you're trying to tie their
22 hands pretty good, Mr. Lee, in No. 4.

23 MR. LEE: I think, Your Honor, No. 4 just
24 is that they don't contest the license, but I think
25 having Your Honor ruled on the Summary Judgment Motion

1 probably takes care of No. 4.

2 THE COURT: Well, I am going to deny it
3 as a Motion in Limine, I believe. I mean, if somebody
4 -- I have told you what my ruling is in this license and
5 that combination and if somebody tries to say something
6 different, well, I will then instruct the jury that's
7 incorrect, and it will probably be more punitive than
8 what I just said.

9 Is No. 5 moot in light of my ruling last
10 week? Defendants' No. 5.

11 MR. LEE: I actually think not, Your
12 Honor, because the priority dates that have been
13 specifically identified and gave testimony on were '91,
14 '92 and '92.

15 THE COURT: Well, that's what I said, but
16 I granted and said that it couldn't possibly be any
17 earlier. I mean, I gave you the February '94.

18 MR. LEE: Right. And so what we're
19 saying is having had him testify -- having had him
20 render his expert reports and not address '94, he ought
21 to be held to what he disclosed in his expert reports.

22 If I could just have two minutes, Your
23 Honor?

24 THE COURT: Sure.

25 MR. LEE: This is an issue that we've

1 raised with Your Honor a couple of times, and each time
2 you have said, yes, we will get to it.

3 THE COURT: You mean I'm about to get to
4 it?

5 MR. LEE: Yes. And I think Your Honor
6 got to it in your order that said they can't have a
7 priority date earlier than 1994. Our concern, and we
8 talked about it a little bit at Markman was that that
9 even before that, that that would put the experts in a
10 position of having to say, well, if '91 then, if '92
11 then, if '94 then. But that is what we did and we
12 worked it through the point when Your Honor thought it
13 was appropriate to dissolve the issue. Their expert did
14 not address '94. Now, I am not going to argue here I
15 think there was a good reason that he didn't address '94
16 because of the intervening prior art, but I don't think
17 we have to argue that to Your Honor. He addressed '91,
18 '91 -- no, I'm sorry, '91, '92 and that's it. And he
19 never gave an explicit opinion on '94.

20 Now, they cite Your Honor to a paragraph
21 in his report, I think it is paragraph 197, but we would
22 just say, Your Honor, if you look at paragraph 197 and
23 198 in this very long report, they are talking about '91
24 and '92, and paragraph 198 makes that clear.

25 So, having lost the battle at different

1 points to get us to agree upon a priority date so that
2 everybody's expert could shoot at them. Having had
3 Centocor prevail in that fight so that the experts tend
4 to pick a variety of dates, in fact, they didn't pick
5 '94 as one their expert would deal with is something
6 that was a tactical decision on their part. But they
7 ought to be held to the dates that we specified, which
8 are the '91, '92 and '92 dates.

9 THE COURT: Yes.

10 MS. MULLIN: Well, if I can read to you
11 from paragraph 97 of Dr. Adams' report which was
12 submitted.

13 If the '775 and '239 patents are not
14 deemed to be entitled to the March 1992 or earlier
15 priority date, the Adair 1992 reference does not
16 anticipate the asserted claims for at least the
17 following reason, and then he goes on and gives them.
18 So there is one example where he specifically addressed
19 art that was not available to the earlier applications,
20 but would have been available to the -- or is available
21 potentially to the 1994 application. And he
22 specifically addressed Abbott's 102 and 103 invalidity
23 contentions in that context.

24 In the context of enablement, he talked
25 about the breadth of the claims including claims that

1 were -- well, if the breadth of the claims that are
2 present in the issued applications which would apply
3 regardless of the priority application, the level of
4 skill in the art, and he also talks specifically about
5 what was available, for example, for enablement, what
6 was available to those skilled in the art in 1991, in
7 1992. He referred to actually a chapter in a book that
8 was written by Dr. Marks, Abbott's expert, in 1995.

9 So there is a lot of information in Dr.
10 Adams' report, and he specifically says, look, whatever
11 was available in 1991 applies to 1991 application and
12 forward. Whatever was available in 1992 applies to the
13 1992 application and forward. I mean, that's the way
14 enablement works. You get the benefit of everything
15 that's available prior to the date.

16 So, I think to suggest that Dr. Adams has
17 not addressed opinions that are relevant to the 1994
18 priority date is just wrong.

19 THE COURT: Well, it sounds like I am
20 going to have to read the report to -- have y'all
21 submitted that?

22 MR. LEE: We have, Your Honor, and if we
23 could just draw your attention when you consider it to
24 paragraph 157 and 198. 157 is the specific provision
25 that deals with his opinions on enablement. And it

1 begins: I have reviewed the March 1991 and March 1992
2 and September 1992 application and understand what is
3 disclosed therein, and then he gives his opinion on
4 those three.

5 Paragraphs 197 and 198 deals with written
6 description, and he says, I point to specific portions
7 of the 1991 and 1992 applications.

8 THE COURT: Now which ones do you want me
9 to make sure I read?

10 MS. MULLIN: At least paragraph 97 that I
11 think I just pointed out. 173, 162, 159, 174, 197. And
12 one of the issues here is for purposes of written
13 description and for purposes of enablement even if for
14 example Dr. Adams had only opined and he had only
15 provided an opinion that all of the pieces were there in
16 1991 to enable somebody, a person of ordinary skill in
17 the art to make and use the claimed invention without
18 undue experimentation, even if that is his only opinion,
19 it applies to later points in time as well, and he said
20 that explicitly several places in his report. It is not
21 just 1991, it's not just 1992, this body of knowledge
22 that is available to a person of ordinary skill in the
23 art, whatever is available in '91 is available in '94,
24 whatever is available in '92 is available in 1994.

25 THE COURT: I am going to review the

1 report with your arguments and give you a ruling.

2 I think I have given you the ruling on
3 No. 6, haven't I?

4 MR. BECK: Your Honor, our position is
5 that you did. I think that their Motion in Limine No.
6 5, I think is the flip side of what you were saying
7 about --

8 THE COURT: Okay. I was going to say, I
9 explained to you what you could and couldn't do.

10 MR. BECK: Yes, sir.

11 THE COURT: And I have told you on No. 7,
12 I am going to give you what was said between the parties
13 on pre-license. I deny No. 7.

14 Now, Mr. Beck, I wanted you to address
15 No. 8 if you could.

16 MR. BECK: Your Honor, may I defer that
17 to Mr. Lee?

18 (Laughter.)

19 THE COURT: No, no, because I wanted you
20 to explain how a United States District Judge could
21 disregard all of the Federal Circuit opinions, that we
22 take the little language out of one U.S. Supreme Court
23 case and say, the Circuit has been wrong all of these
24 years, so I'm going to go with this interpretation here.

25 MR. BECK: Your Honor, my suggestion is

1 that the Court not do that.

2 THE COURT: All right. It is denied.

3 Thank you.

4 But it is preserved for the record.

5 I understand what you are doing, I just

6 -- I just couldn't pass up that opportunity.

7 MR. BECK: That is all we're trying to do

8 is to preserve our point, Your Honor.

9 THE COURT: Let's see, I have given you

10 see -- do y'all still believe we can do this in

11 12-and-a-half hours per side, correct?

12 MR. ELDERKIN: Yes, Your Honor.

13 MR. LEE: Yes, Your Honor.

14 THE COURT: All right. I have given you

15 your time. What else do you --

16 Okay. We pick a jury on Friday. You

17 know, we're going to seat ten jurors, you will get four

18 strikes each. We have got both sides who have picked

19 juries in here before, so you know what the procedures

20 are.

21 You can use -- 30 minutes per side. The

22 Court will give them a few preliminary instructions. I

23 have changed my procedure a little bit, you can use up

24 to five minutes of that time to tell them what you

25 believe the case is about. That means that Mr. Beck

1 would like to make his first opening statement, but
2 don't go -- don't get too overboard, I can just stand so
3 much. You know, Judge Steger still comes back and
4 haunts me since I have changed my rule about that.

5 MR. BECK: And I understand you have to
6 stay pretty close to the podium, is that correct?

7 THE COURT: Arm's length, you have got to
8 be able to touch the podium. So, don't come in here
9 with any trick up your sleeve to slide out some fake
10 arm.

11 (Laughter.)

12 THE COURT: What else do we need to talk
13 about today?

14 MR. BECK: Judge, I don't know if the
15 Court was just planning on ruling this, but the
16 Plaintiffs' Motion in Limine No. 7 which raises an
17 authenticity issue.

18 THE COURT: Well, maybe I missed it.

19 MR. BECK: And as I understand their
20 motion, they are trying to preclude us from presenting
21 evidence regarding the testing of the samples.

22 THE COURT: I denied that motion.

23 MR. BECK: Okay. I just wanted to make
24 sure. Thank you.

25 MS. ELDERKIN: Your Honor, part of that

1 motion, if I may. I understand your ruling that the
2 sample testing will come in.

3 There was a declaration that Abbott
4 produced to us, again after discovery, from a third
5 party from UCB, a British company, who had purportedly
6 provided the sample that Abbott's witness tested. The
7 declaration has more in it than just, yes, we sent them
8 a sample. It has information in the declaration about
9 how this antibody, which apparently was created in the
10 early '90s, was stored over this period of 15 years, how
11 it was shipped, under what conditions it was shipped.
12 All information that is very relevant to the legitimacy
13 of the testing. And again, this declaration was
14 produced to us after discovery. We have objected to it
15 on the witness list -- I mean, on the exhibit list, but
16 since it is mentioned in our opposition to their -- or
17 mentioned in our Motion in Limine with respect to the
18 sample, I just wanted to clarify whether your ruling
19 subsumes that as well, and if you are ruling that that
20 declaration comes in.

21 THE COURT: No, I am not ruling at all
22 that the declaration comes in, but I'm allowing them to
23 say what testing they did.

24 MS. ELDERKIN: Okay. Thank you.

25 THE COURT: The rule in this Court is

1 that experts may rely on hearsay, but experts cannot
2 then start reciting hearsay that they have relied on.
3 That is not a catch-all. That only applies -- that rule
4 is only lax in the National Trial Competition because
5 the problem we had this year, they would block out any
6 evidence in that the expert -- they hadn't been able to
7 regurgitate everything. Mr. Beck knows about that
8 problem, so I was just looking at him.

9 But anyway, this Court's general rule is
10 that they don't get to regurgitate the hearsay from the
11 witness stand. It is still hearsay, but they can rely
12 on it.

13 Yes, sir.

14 MR. LEE: The declaration was offered
15 under Federal Rule of Evidence 902-11, so it is an
16 exception to hearsay rule to make -- just for the
17 limited purposes that 902-11 allows.

18 THE COURT: Well, I have just given you a
19 general statement, now if it's admissible on its own as
20 a separate exhibit, y'all are going to take that up with
21 Judge Everingham on the 12th.

22 So, I am not -- I am denying your Motion
23 in Limine as far as the testing, I am not ruling on the
24 admissibility of the affidavit or the declaration,
25 whether or not 907 or -- what, 907?

1 MR. LEE: 902, Your Honor.

2 THE COURT: I thought it was 902, but I
3 wasn't going to challenge you.

4 MR. LEE: I apologize.

5 THE COURT: That's all right. Okay.

6 MR. BECK: Just to make sure that I'm
7 clear on what the Court's ruling is.

8 We want Dr. Marks, who will be our
9 expert, to be able to rely on the testing, he may not go
10 into all the way it was done and so on, but we just want
11 to make sure that he can do that because otherwise we're
12 going to have to try to get another witness from
13 Washington.

14 THE COURT: I said he could rely on the
15 testing.

16 MR. BECK: Okay.

17 THE COURT: That is the way I understood
18 the Motion in Limine.

19 MR. SAYLES: And, Judge, I would assume
20 that we would --

21 THE COURT: Now be careful about assuming
22 anything.

23 MR. SAYLES: Well, I'm asking. We would
24 be able to challenge the expert on the weakness in the
25 hearsay that that expert has chosen to rely on, if they

1 are not going to bring the person here that can support
2 it.

3 THE COURT: Absolutely, but, you know,
4 what the -- you have got to be careful about once you do
5 that, Counsel, you have not only opened the door, you
6 have kicked it open.

7 MR. SAYLES: That is right, but if it's
8 weak enough, it may be worth it.

9 THE COURT: Well, that is your choice in
10 life, that is not my choice. I don't have to make those
11 choices any more.

12 MR. SAYLES: Yes, sir.

13 I have two points that I wanted to raise,
14 Your Honor.

15 First, and I know that the Court may not
16 get involved in this, but since Abbot has 14 may-call
17 witnesses, we had hoped that we could get 24 hours
18 notice of who they would actually call off of that may-
19 call list before they are called. They proposed to give
20 us a much shorter time, like 7:00 o'clock the night
21 before. And I don't know if we're just left to our own
22 devices to work that out?

23 THE COURT: I think that the Court --
24 yes, sir, Mr. Beck.

25 MR. BECK: Judge, just to try to short

1 circuit this, I always work out an agreement with
2 counsel where we give advance notice of who is going to
3 be called. Maybe the night before is too late, but I
4 think 24 hours is too long because as the Court knows
5 schedules change and there are problems. I really think
6 we can work out some kind of an agreement between the
7 two respective positions, and I will certainly commit to
8 do that.

9 THE COURT: Well, if you can't, I will
10 work it out for you. Why don't y'all see if you can't.

11 MR. BECK: Yes, sir.

12 MR. SAYLES: And, Judge, the final thing
13 is, I know we're on a clock and we intend to abide by
14 if, of course, but in the order of proof, it's our
15 expectation that we'll prove infringement and damages
16 and until the defense puts on an invalidity case, that
17 we won't be required to rebut it in our case-in-chief.

18 THE COURT: Well, not only will you not
19 be required, I won't allow you to do it, to start
20 attacking their validity case in your case-in-chief.

21 MR. SAYLES: Very good.

22 THE COURT: You don't get to muddy the
23 water, in other words, any more than it is already
24 muddied by me. Anything else?

25 MR. BECK: Not from our side, Your Honor.

1 MS. ELDERKIN: That is all.

2 THE COURT: All right. I would like to
3 see Mr. Sayles and Mr. Beck in chambers.

4 COURT SECURITY OFFICER: All rise.

5 (Court adjourned.)
6
7
8
9
10
11

12 CERTIFICATION
13

14 I HEREBY CERTIFY that the foregoing is a
15 true and correct transcript from the stenographic notes
16 of the proceedings in the above-entitled matter to the
17 best of my ability.
18
19
20

21 _____
22 SUSAN SIMMONS, CSR
23 Official Court Reporter
24 State of Texas No.: 267
25 Expiration Date: 12/31/08

Date